

BUREAU OF MUNICIPAL RESEARCH

TORONTO'S CITIZENS CAN CONTROL TORONTO'S AFFAIRS ONLY THROUGH FREQUENT, PROMPT, ACCURATE AND PERTINENT INFORMATION WITH REGARD TO TORONTO'S BUSINESS.

137 WELLINGTON ST. W.
TELEPHONE EL. 1904



TORONTO
CANADA

White Paper No. 189

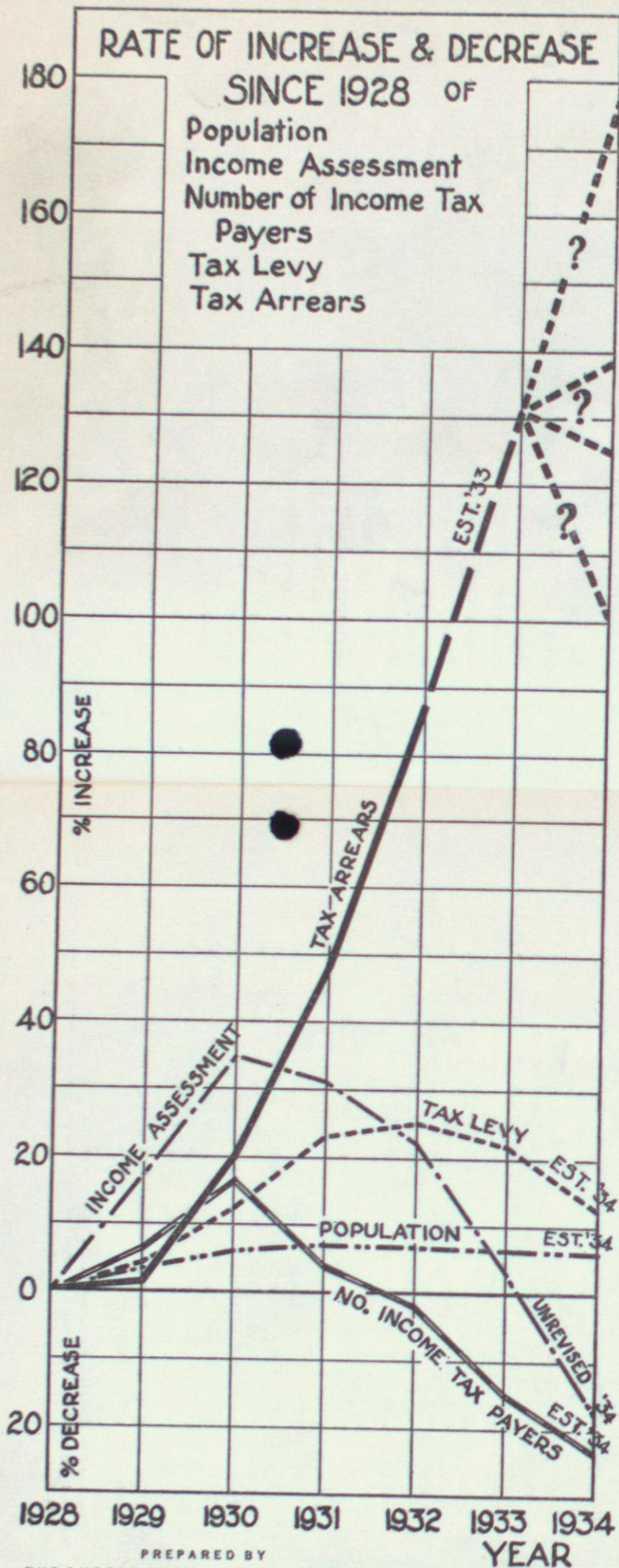
December 13, 1933

PLANNING EXPENDITURE ON A FACT AND PROBABILITY RATHER THAN ON A PIOUS HOPE BASIS

STORY NO. 2

In 1931 the 21,753 income tax payers were taxed on an assessment of \$79,933,958. In 1932 the 20,565 income taxpayers were taxed on \$74,525,416. In 1933 the 17,826 income taxpayers were assessed on \$62,824,735. In 1934 a presumably further shrunken number of income tax payers will be taxed on about \$50,111,227. That is, the tax-paying ability of citizens lucky enough to be income tax payers shrank over 37% in the three years following 1931, while the number of those who paid income taxes shrank about 18% in the two years following 1931. Is it likely that the incomes and taxpaying ability of other Toronto citizens and taxpayers shrank any less in view of the fact that the number who have no income at all has greatly increased?

What relation has the reduced taxpaying ability of citizens, unaccompanied by a similar reduction in civic taxation, to the phenomenal increase in tax arrears and unpaid taxes from \$5,496,762 at the end of 1929 to \$10,134,166 at the end of 1932 and possibly over \$12,500,000 at the end of 1933?



Year	Population	Income Assessment	No. of Income Taxpayers	Net Total Tax Levy*	Tax Arrears
1928	585,628	\$61,010,388	20,922	\$29,552,522	\$5,420,980
1929	606,370	71,544,530	22,219	30,841,262	5,496,762
1930	621,596	82,227,919	24,406	33,150,291	6,518,842
1931	627,231	79,933,958†	21,753‡	36,441,136	8,034,358
1932	626,674	74,525,416	20,565	37,034,510	10,134,166
1933	623,562	62,824,735	17,826	35,935,323	12,527,264 (Estimate)
1934	621,000 (Est.)	50,111,227**	16,000? (Est.)	33,150,291? (hoped for 1930 level)	? †

** Unrevised.

* Being gross figures, including ratepayers' share of local improvements, etc., less reserve for uncollectible taxes. See page 5 White Paper No. 187 for gross figures.

† If the present methods and theory of administration and finance are continued, and if there is no radical improvement in the existing general industrial and financial conditions, the tax arrears may run to over \$15,000,000. If the general tax levy is reduced in total by \$2,500,000 or over, after making a provision to offset slow tax collection in addition to the usual reserve for uncollectible taxes, the growth of tax arrears, particularly net tax arrears, may be substantially retarded.

‡ In 1930 the Assessment Act was amended, extending exemptions in certain cases. The 1931 figures of income taxpayers naturally would be somewhat affected thereby; but the reductions from 1931 on are not due to legislative changes.

COMMENT

- The chart opposite shows—
 - That tax arrears increased faster than population or tax levy since 1929.
 - That since taxable income began to drop after 1931 tax arrears have increased even faster.
 - That the tax levy did not begin to decrease until 1933, although taxable income had begun to drop one or two years earlier, tax arrears had begun to increase spectacularly three years earlier, and population had begun to decline a year earlier.
 - That the decrease in the tax levy in 1933 was quite inadequate to halt the increase of tax arrears or even to any great extent of the rate of increase in tax arrears, which was 1.4% in 1929, 18.6% in 1930, 23.3% in 1931, 26.1% in 1932 and it may be 20%-25% in 1933.
- Those responsible for the financial policy of the city knew the facts, but did not allow them to influence seriously that part of the financial policy which has to do with current expenditures.

Financial policies should be based on known facts such as the tax arrears index and the income assessment index and on probabilities, with a weather eye on possibilities. They should not be based on pious hopes or political reactions. Waste, inefficiency and local politics are luxuries civic taxpayers—and all citizens are taxpayers—can no longer afford. But they will continue to be billed for them unless they get busy and stay busy.

QUESTIONS WHICH CITIZENS MIGHT ASK OF CANDIDATES

1. Should the reduction in the income of taxpayers, out of which taxes are paid, be followed as soon as possible by reduction in the civic taxes?
2. If so, during the drastic decline in the incomes of citizens which started about 1930, why has the tax levy, including local improvements, etc., less provision for uncollectible taxes, gone up from \$33,150,291 in 1930 to \$37,034,510 in 1932, and to \$35,935,323 in 1933 without including in 1933 figures net unemployment relief expenditures which may amount to \$1,750,000 or \$2,000,000? (Overhead relief charges only paid out of current revenue.)
3. Why was it possible for the Ontario Provincial Government to apply graded salary reductions in 1932** varying from 2% to 25%, and as of April 1st, 1933, to apply graded reductions varying from 5% on amount of salaries up to and including \$1,000, to 35% on amount of salaries in excess of \$8,000, and affecting employees from the Premier to the office boy, while it was impossible for the Toronto municipal government* to effect reductions as of March 31st, 1933**, greater than 5% on salaries and wages up to and including \$5,000; 7½% on salaries and wages over \$5,000 and up to \$7,500; 10% on salaries and wages over \$7,500? Why? Will the failure to make considerable reductions in 1931, 1932 and 1933 in civic salaries and wage scales necessitate further reductions in 1934 and 1935, while others are being restored?
4. Is it not incongruous that a taxpayer working for 45c an hour should have to help pay a civic employee performing similar work at 57c an hour, or that clerks in private employment who have had reduction after reduction since 1930 should have to help pay civic clerical employees who have had one cut of 5% during the depression and that at the end of March, 1933?
5. If it is incumbent on the civic corporation to help maintain the revenues of certain classes of taxpayer at the expense of taxpayers at large, why is it not incumbent on it to help all taxpayers to meet their taxes by reducing the tax burden?
6. Does excessive taxation, particularly in periods of recession, tend to destroy property values as claimed by Dr. F. R. Fairchild of the National Tax Association, and is there any evidence of such destruction in values in Toronto? (Out of approximately 110,000 single houses in Toronto, approximately 64,000 are owned by their occupants.)
7. If so, what will happen to governments which depend for their upkeep on the maintenance of property values, which again depend on net earning power?
8. What more direct method is available to a city in fighting the increase of tax arrears and the dissipation of tax paying ability than the reduction of expenditure and of taxation?
9. Is there any valid reason why the net total tax levy of 1934 should not be placed at the level of 1930, a year when the population and assessment approximated those estimated for 1934?
10. Why cannot this be done without curtailing the effectiveness of essential civic services?

* The Board of Education made cuts in the year previous.

** In both jurisdictions employees had made voluntary contributions previous to the official reductions.